

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Friday 8 September 1978 CG NTDC 78/210



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National Intelligence Daily Cable for Friday, 8 September 1978.

The NID Cable is for the purpose of informing senior US officials.

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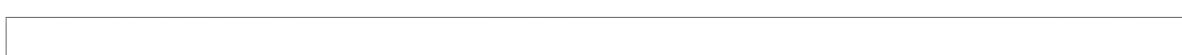
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SYRIA: Khaddam's Trip to Africa

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[redacted] Syrian Foreign Minister Khaddam's visit to Libya and Algeria this week is probably intended to remind the US and Egypt that Syria's position on Middle East questions must be taken into account by the Camp David summit participants. Khaddam's statement in Algiers that Arab hardliners should sign a mutual defense pact with the USSR if the US enters into a treaty relationship with Israel may have been designed to warn the US against trying to impose a settlement.

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[redacted] //Khaddam is making his visit to arrange a third summit of the Arab "Steadfastness Front," which was formed last December to oppose the Egyptian peace initiative.

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[redacted] Discussions between Syrian and foreign officials in Damascus indicate that the Syrians do not expect the Camp David talks to make any significant progress on the issues dividing the Arabs and Israel. The Syrians nonetheless expect President Carter will not allow the summit to fail completely and will probably persuade President Sadat not to give up his peace initiative at this time.

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[redacted] //In recent speeches, President Assad has argued that the Egyptian initiative has resulted in no substantive concessions for the Arabs from Israel. Assad has reiterated Syria's commitment to the peace process but warned that Syria will reject any effort to impose a settlement on the Middle East.//

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[redacted] Khaddam's comments in Algiers--which had not been repeated on Damascus' official radio as of last night--were probably intended primarily to dissuade the US from signing a defense pact with Israel or offering to station troops in the

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Middle East as part of a settlement. Khaddam often exaggerates in his public appearances, and we have no information that the Syrians have raised the topic of a defense pact with the Soviets. In fact, the Syrians have resisted occasional Soviet efforts to secure a friendship pact with Syria similar to the one the USSR has with Iraq.

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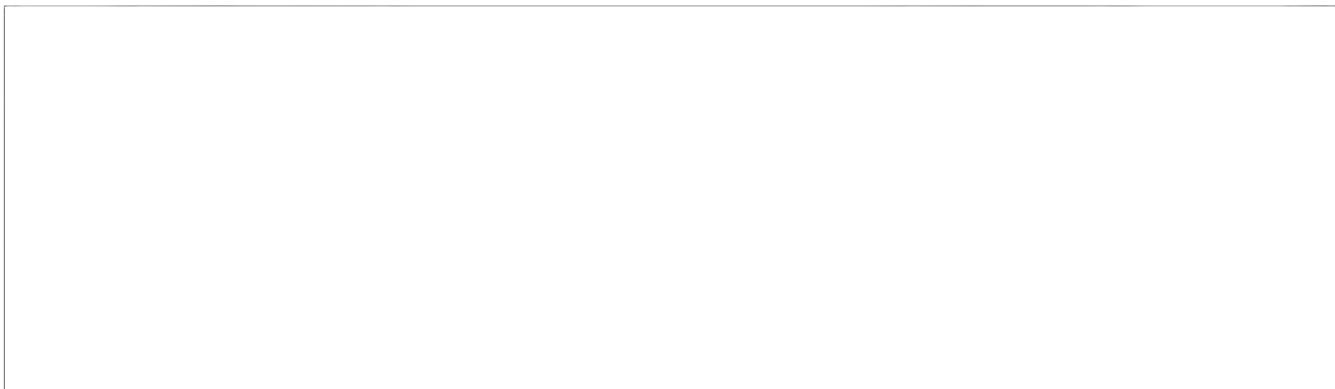
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USSR-JAPAN: Reaction to Treaty

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Soviet Premier Kosygin has strongly criticized the Sino-Japanese Peace and Friendship Treaty signed last month but has indicated that Moscow wants to maintain good relations with Tokyo, especially in the economic sphere. While there are other indications that the Soviets want long-term cooperation on trade and Siberian development, Moscow may retaliate against Japan in coming months by postponing final agreement on joint fishing ventures.

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Kosygin made his remarks on Wednesday to a Japanese parliamentary delegation in Moscow on a goodwill visit, the first Japanese group to meet a Soviet official since the signing of the treaty with China. He stressed the need for economic cooperation and hinted that the USSR is counting heavily on Japanese capital and technology in the development of Siberian resources. This is the first major indication that the Soviets do not intend to let their anger over the Sino-Japanese accord impede efforts to secure Japanese investment in the USSR.

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The day before, Soviet Fisheries Minister Ishkov told the same group that five joint fishing ventures in the Soviet 200-mile fishing zone, which had been scheduled to begin last month, should be abandoned this year. Ishkov proposed that the projects be discussed at the meeting of the Japan-Soviet joint fishery committee to be held sometime after 15 November.

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Japanese Foreign Ministry sources have, however, played down the significance of Ishkov's statement. For the most part, Tokyo believes that Moscow's words and deeds in the

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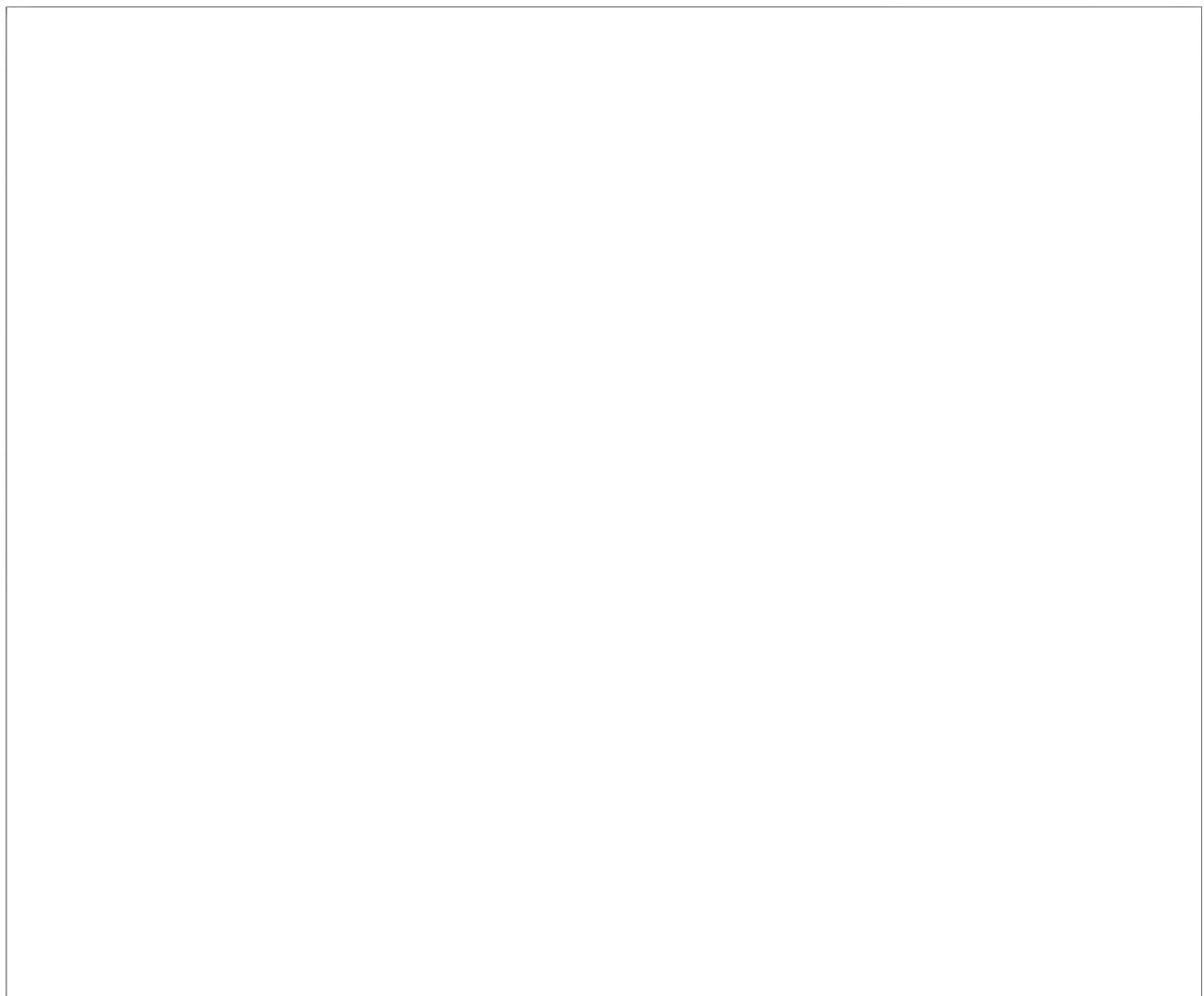
wake of the Peace and Friendship Treaty have been restrained and that, overall, the Soviets have yet to make any significant retaliation against the Japanese.

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[redacted] There was some positive movement on the trade front last week, when four major Japanese steel firms negotiated a price increase for large-diameter pipe to be exported to the USSR later this year. While the firms apparently did not get the 20-percent price rise they had requested, compromises by both sides apparently resulted in some increase. [redacted]

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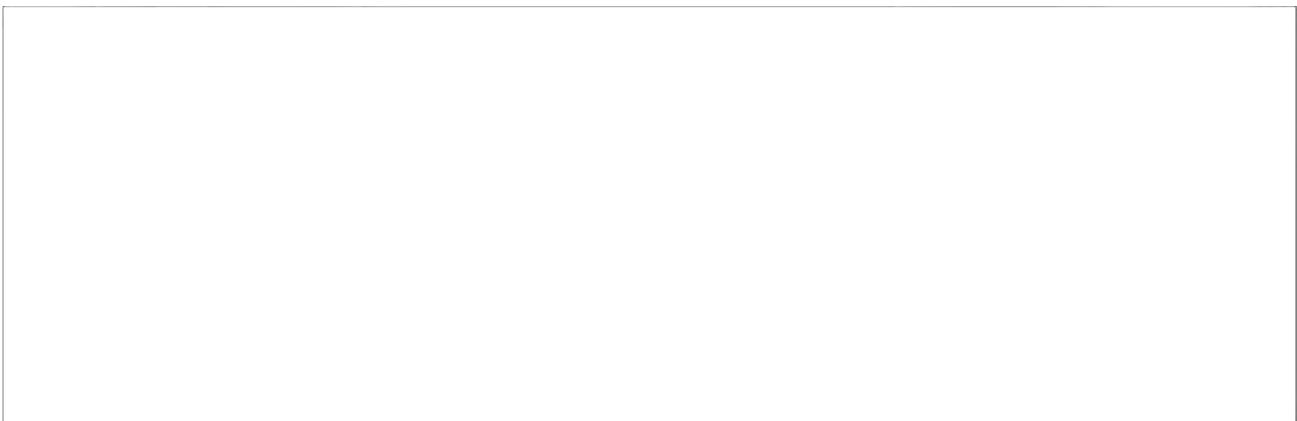
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CANADA: Fall Election Unlikely

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//Canadian Prime Minister Trudeau probably will not call an election this fall. The latest opinion poll suggests that Trudeau's Liberal Party is still doing poorly in the key province of Ontario. Last week, Trudeau announced that additional byelections will be held in mid-October, probably a further effort to measure his party's strength before the next national election, which must be held within a year.//

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//The secretary to the Canadian cabinet told Ambassador Enders that the lack of a positive public response to the new economic measures announced last month makes a general election unlikely this fall. Other officials close to the Prime Minister have acknowledged that the government is facing a serious credibility problem, largely because presentation of the proposals left an impression of improvisation, poor staff work, and inadequate coordination.//

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//The timing of the announcements made the economic measures appear to be primarily a preelection tactic to garner voter support. The measures are likely to have little impact on the country's economic problems.//

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//The most recent opinion poll indicates that the Liberals have improved their general lead over the opposition Progressive Conservatives. It also shows, however, that one-third of the voters are still undecided, that the bulk of Liberal support is concentrated in Quebec, and that party

strength in the key province of Ontario has dropped considerably since the last federal election in 1974. Liberal leaders have indicated that their own observations and private sampling confirm these negative signs.//

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//The Liberals can be expected to concentrate their efforts on the byelections. Although they could lose all 15 and still retain their parliamentary majority, they, as well as other political parties, will view the byelections as a test of political strength. Nearly half of the byelections will be held in Ontario.//

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UK: Callaghan Speech

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//British Prime Minister Callaghan's unexpected announcement yesterday that he will not call an immediate general election will put his minority Labor government in a precarious position when Parliament reconvenes in October. The government will have to show sustained economic improvement to retain the confidence of major segments of rank-and-file trade unionists and to survive opposition attempts to topple it.//

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//The Conservatives will be trying to form a united front of opposition parties in an attempt to force the government's hand. They will probably test the government's strength immediately with the vote on the Queen's speech, which outlines the government's program, at the opening of the new parliamentary session in late October.//

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//Callaghan will apparently reconvene Parliament with no formal support from other parties to shore up the government's minority position. The Liberals, who control 13 seats in Parliament ended their pact with the government last spring. The Scottish Nationalists, who have 11 parliamentary seats, are rumored as an alternative source of support, but some of the party's parliamentary spokesmen reportedly oppose a pact with the government despite encouragement from the party's executive in Edinburgh. There appears to be little prospect that a firm agreement can be struck with the Ulster Unionists.//

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//Chancellor of the Exchequer Healey and Callaghan appear confident that the rate of inflation can be kept below

8 percent, if wage settlements during the next round of negotiations hew to the government's 5-percent ceiling. They believe this, and the growing benefits of North Sea oil revenues, will ensure a continued rise in the standard of living.//

25X1 //Most economic experts, however, believe that double-digit inflation is again likely by the early next year. The resulting loss in purchasing power, and an unemployment rate that will probably hover around 6 percent, could spell trouble for the government, especially among critical blue collar and trade union voters.//

25X1 //Callaghan, however, may find it difficult to control restive labor unions, which oppose the government's wage guidelines. Callaghan was warmly received at the recent annual conference of the Trades Union Congress, but the delegates overwhelmingly rejected the government's tight wage controls and, as they did last year, endorsed free collective bargaining. Callaghan will continue to stress that union opposition to his program will increase the chances of a Conservative government's coming to power.//

25X1 //The government has picked up some popular support during the past few weeks, but opinion polls continue to show that an election would be a toss-up. Callaghan is gambling that, if the economy continues to improve, the Labor Party will gain in the polls. The government also hopes that a delay will give the Liberals, who draw support away from the Conservatives, time to recoup the serious loss of support they have suffered during the past eight months.//

25X1 //The Labor Party will also try to capitalize on a recent decline in support for the Scottish Nationalists by playing up the government's role in pushing through Scottish devolution. Callaghan also hopes that the government will be strengthened in the spring when a new, updated register of voters is published; this usually favors the Labor Party.//

25X1 //The Conservatives have condemned Callaghan's move, arguing that the British people should have the opportunity to install a majority government. According to opinion polls, 70 percent of British voters favored an election this fall. //

BRIEFS

USSR

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[redacted] Coal production in the USSR during the first seven months of 1978 has not kept up with Soviet goals, and Soviet officials are expressing concern. The USSR has lowered the original 1978 goal of 750 million tons to 746 million tons, but production probably will be at least 20 million tons short of the reduced plan.

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[redacted] The industry's performance has been deteriorating since the outset of the 10th Five Year Plan (1976-80), and production in 1980 will be far below the target of 805 million tons. Coal Minister Bratchenko indicated early this year that the long-range goal of 1 billion tons by 1990 would not be achieved before the year 2000.

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[redacted] Bratchenko attributes the industry's poor performance to inadequate preparation of new coal faces, shortages of labor and mining equipment, and poor mine management. Other reports indicate that shortages of rail cars to transport the coal are hampering production and that construction of new mines is lagging.

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[redacted] Coal production problems have resulted in inadequate deliveries of coking coal to the steel industry, according to Bratchenko. Other shortages are likely to show up during the winter. [redacted]

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North Korea

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[redacted] North Korea on Saturday will mark the 30th anniversary of its founding. It will use the ceremonies to push the theme of economic progress during the first year of its ambitious seven-year economic plan, despite the country's continuing default on its foreign debt. President Kim Il-song has already attended ribbon-cutting ceremonies at a number of longstanding construction projects, including an east-west expressway from Pyongyang to Wonsan.

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[redacted] Chinese Politburo member and senior Vice Premier Teng Hsiao-ping heads the long list of foreign visitors, swelled by Pyongyang's willingness to provide air service. Soviet

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[redacted]

25X1 representation will be unusually low--Moscow's way of showing its pique at North Korea's more open support for China in recent months on a range of international issues.

Sri Lanka

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[redacted] A new constitution went into effect in Sri Lanka yesterday, and President Jayewardene appointed a new cabinet. The constitution provides for the replacement of Sri Lanka's parliamentary system with a strong presidency. This change was actually made in February, when the old constitution was amended, and Jayewardene moved from the prime ministership to the presidency.

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[redacted] The changes in the cabinet are fairly minor; some new ministers have been added and others have changed jobs. The most significant new appointment may be that of a representative of the Tamil minority, apparently an effort to bridge the gap between the Tamils and the Sinhalese majority. Tamil extremists have been responsible for several acts of terrorism, which may include the destruction on the ground of a Sri Lankan airliner yesterday. The cabinet remains essentially the same, however, despite local criticism of the government's performance and of the competence of some ministers.

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